

Fact Sheet

Proposed Transfer of Control of Sprint Communications Company L.P. to T-Mobile USA (A.18-07-011 & 012)

Timeline and Background

- On July 13, 2018, T-Mobile and Sprint filed a joint application for approval of the transfer of control of Sprint Communications Company, including the transfer of wireline licenses as well as a review of the notice of transfer of wireless licenses. The combined company would have about \$74 billion in annual revenue and about \$60 billion in net debt.
- On October 4, CPUC Commissioner Clifford Rechtschaffen, who is overseeing this proceeding, established the key issues the Commission will review in this proceeding. In doing so, the Commissioner decided that evidentiary hearings would be needed to address issues such as service quality, customer satisfaction, pricing policies, pre-paid services, wholesale markets, the roll-out of 5G services (particularly in rural markets), system integration, device compatibility, customer migration, and customer privacy, etc.
- The Utility Reform Network (TURN), The Greenlining Institute, and The Public Advocates Office at the California Public Utilities Commission have filed protests, and Media Alliance and Communications Workers of America District 9 have filed for party status.
- The Commissioner is hoping to put a draft decision on the proposed merger before the full Commission for a vote by the second quarter of 2019.
- At the end of its review, the CPUC may approve the proposed merger with or without conditions, or reject it.
- In addition to CPUC approval, applicants must obtain approval for the proposed merger from the Federal Communications Commission (FCC), the Department of Justice and the Treasury Department's Committee on Foreign Investment. The CPUC is participating in the FCC proceeding currently in progress.

Seeking Public Input on the Proposed Merger

- The CPUC will hold a technical workshop on the merger at our San Francisco headquarters at 505 Van Ness Ave., on December 10th. Following the technical workshop, the CPUC will hold public participation hearings during the week of January 14th in Fresno, Los Angeles, and San Diego.

Key Issues

- Transition from 4 to 3 market participants. Currently, four nationwide, network-based providers offer mobile service coverage to most of California's population – AT&T, Verizon, Sprint and T-Mobile. The proposed \$26.5 billion merger of Sprint and T-Mobile would reduce that number to three, raising questions about the potential effect on market competition and customer service. Many resellers, such as Boost, Virgin and Tracfone, rely on Sprint and T-Mobile to carry their wireless traffic.
- Potential impacts on the CPUC's LifeLine Program which provides subsidized wireline and wireless telephone service to millions of California customers. 85% of California's wireless LifeLine participants rely on resellers or affiliates of either T-Mobile or Sprint. Both companies say they plan to continue participating in California LifeLine.
- 5G. T-Mobile announced it will begin deploying early advanced 5G service in 30 cities in 2018. Sprint also plans to deploy early 5G in six cities in 2018. It is unclear what effect market consolidation will have on 5G deployment, particularly where service providers will be sharing infrastructure.
- Rural Coverage. T-Mobile's and Sprint's rural coverage have significant overlap. Based on the CPUC's statewide mobile field testing as of October 2017, neither company's coverage is as good as Verizon's or AT&T's. The proposed merger raises questions about whether either company's rural coverage will be improved or will suffer.